

**MINUTES** of the meeting of the **SURREY LOCAL PENSION BOARD** held at 10.00 am on 25 January 2017 at Committee Room C, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Board at its meeting on 15 March 2017.

**Members:**

- \* Paul Bundy
- \* Mr Nick Harrison (Chairman)
- \* Tina Hood
- Mr John Orrick (Vice-Chairman)
- \* Paresh Rajani
- \* David Stewart
- \* Claire Williams-Morris
- \* Trevor Willington

**In attendance**

Sue Grimstead, Operations Manager, Pension Services  
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury  
Alex Moylan, Senior Accountant, Finance, Pension Fund and Treasury

**1/17 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

Apologies were received from John Orrick. Apologies were also given by Denise Le Gal, the Chairman of Surrey Pension Fund Committee, who had hoped to attend.

It was noted that Alex Moylan, Senior Accountant, was leaving the Pensions and Treasury team to take up an appointment at Southwark Council. The Board thanked Alex for his support and work.

**2/17 MINUTES FROM THE PREVIOUS MEETING: 19 OCTOBER 2016 [Item 2]**

The minutes were agreed as an accurate record of the meeting.

**3/17 DECLARATIONS OF INTEREST [Item 3]**

David Stewart asked that it be noted that he was employed by Hammersmith and Fulham, an authority whose pension administration is provided by Surrey County Council as part of the Orbis Partnership

**4/17 QUESTIONS AND PETITIONS [Item 4]**

No questions or petitions had been recieved.

**5/17 ACTION TRACKER AND FORWARD PLAN [Item 5]**

**Declarations of interest:**

None

**Witnesses:**

Sue Grimstead, Operations Manager, Pension Services

Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury

Alex Moylan, Senior Accountant, Finance, Pension Fund and Treasury

**Key points raised during the discussion:**

1. The Chairman introduced the item and took the Board through each action in turn. The Board was informed that an update on Key Performance Indicators would form part of the meeting (ref: 8/16). There was an update expected on frozen refunds at the Board's next meeting (ref: 11/16). The Board confirmed that there had been no change to governance structures anticipated as a result of the counsel opinion and it was agreed this item would be removed from the tracker (ref: 13/16). The Board confirmed there were no irregular Freedom Of Information requests in the last quarter (ref:22/16).
2. Officers confirmed that the draft administration strategy was expected to go to the Surrey Pension Fund Committee in May 2017 (ref:25/16) and that the Board would see a provisional draft of this work as part of the development of the new strategy.
3. The Board was informed that a review of the Additional Voluntary Contributions was currently being considered in collaboration with the London local authorities (ref:26/16). This would enable an efficiency of scale in undertaking the review work. The Board was told that this work would be undertaken during 2017.
4. Officers confirmed they would circulate a copy of the final administering authority discretions with a summary of changes since the Board reviewed it in July 2016 (ref:27/16). The Board was informed it would receive an item on its March meeting on scheme employer authority discretionary statements (28/16). The Board noted that asset allocation would be included in the financial information for the next Board meeting (ref:36/16).
5. The Board was informed that the delay in providing annual benefits statements had been reported to the regulator. The regulator had acknowledged the report, agreed with the Fund view that the breach was not material and noted that there was an improvement plan in place (ref:41/16). Officers agreed to circulate the referral and regulator response to the Board.
6. The Board requested an update on the transfer to online benefit statements to be brought to the next meeting (ref: 41/16).
7. The Board reviewed its action tracker, and it was highlighted that several changes would be made in response to comments concerning the action tracker. The Board also agreed that it would have an item on the future governance arrangements for pooled funds at an appropriate future date. It was proposed that a horizon scanning session be held in March to help identify key areas of interest to assist the new Surrey Local Pension Board in 2017/18.

**Actions/ further information to be provided:**

- Items for 15 March 2017:
  - an update on frozen refunds
  - Scoping process for the new administration strategy
  - Update on scheme employer authority discretionary statements
  - Financial statement (including asset allocation)
  - Update on the transfer to online statements
  - Horizon scanning for 2017/18
- The agreed administering authority discretions with a summary of changes to be circulated to the Board.
- The referral to the regulator and regulator response to be circulated to the Board.

**Resolved:**

The Board noted its forward work programme and action tracker.

**6/17 COMMITTEE UPDATE [Item 6]****Declarations of interest:**

None

**Witnesses:**

Sue Grimstead, Operations Manager, Pension Services  
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury  
Alex Moylan, Senior Accountant, Finance, Pension Fund and Treasury

**Key points raised during the discussion:**

1. The Board was informed that the breaches policy and administering authority discretions had been approved by the Pension Fund Committee on 11 November 2016. The Committee had considered an investment in the Darwin Leisure Development Fund. An investment of £20 million in the Darwin Leisure Property Fund in 2013 by the Pension Fund had seen a good return of 36.8%. The Board was told that the Committee sought additional assurances about the period of investment, and the contingency arrangements if a leisure centre was to fail.
2. Officers advised the Board that the Committee had reviewed the governance arrangements for Borders to Coast. There had been questions raised about section 151 officer involvement, and the articles of association were being discussed by legal representatives from each Fund. The articles of association would require approval by the Council, and a paper would be considered on 21 March 2017. The Board confirmed it would review the articles at its meeting on 15 March 2017.
3. The Board was informed that the Fund risk register had been updated to add the outcome of the US election. It had also been requested by the Committee that the register included an additional risk around cyber security.

**Actions/ further information to be provided:**

The Board to receive a report on the Borders to Coast articles of association for 15 March 2017

**Recommendations:**

None.

**7/17 ACTUARIAL VALUATION RESULTS [Item 7]**

**Declarations of interest:**

None

**Witnesses:**

Sue Grimstead, Operations Manager, Pension Services

Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury

Alex Moylan, Senior Accountant, Finance, Pension Fund and Treasury

**Key points raised during the discussion:**

1. It was noted that the valuation was the position as of 31 March 2016. The Board noted that liabilities had decreased by £300 million, and that an overall increase in the funding had put the Fund in an improved position since its valuation in 2013. The Board was advised that it was difficult to make comparisons with other funds due to the different methodologies applied by different actuaries. Officers commented that Hymans were considered to use a prudent methodology.
2. The Board was informed that the Government Actuary's Department made an actuarial assessment of all local government schemes as a basis for comparison. This assumption was made using the methodology applied to unfunded schemes: the Consumer Price Index + 3% to calculate unfunded liabilities. This valuation had seen the majority of local government pension scheme funds assessed as 100% funded.
3. The Board queried what impact the new methodology had on the discount rate for employer. Officers commented that this had no material impact, and the change had been intended to improve the monitoring of the monthly ongoing position. This had the benefit of improving strategic investment decision making, as it reduced the level of fluctuation that had been caused by using a GILT-based rate during a period of volatility in the GILT market.
4. The Board reviewed each of the aspects that had changed the actuarial assumptions. It was noted that changes in the investment experience and membership experience had reduced the deficit. The Board was informed that instances of mortality had decreased over the three year period, and that the actuarial assumption was that longevity would plateau in the coming years.

5. The Board was informed that the new mechanism for categorising employers in terms of risk had benefited some employer contribution rates. It was also noted that this method of categorisation had had no adverse affect on individual employers' contribution rates, when compared to the methodology adopted in the 2013 valuation.
6. Officers commented that the new categorisation was the first step to a more integrated investment strategy for the Fund, alongside the unitisation of assets. It was noted that this would ensure that the Fund could be more responsive to individual employer positions.
7. The Board queried how many employers had seen an increase in contribution rates. It was agreed that further detail would be provided to the next Board meeting.

**Actions/ further information to be provided:**

The Board to receive information on the change in contributions rates and funding level shown by type of employer for the March 2017 meeting.

**Resolved:**

That the Board note the report.

**8/17 KEY PERFORMANCE INDICATORS - QUARTER 2 2016/17 [Item 8]**

**Declarations of interest:**

None

**Witnesses:**

Sue Grimstead, Operations Manager, Pension Services  
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury  
Alex Moylan, Senior Accountant, Finance, Pension Fund and Treasury

**Key points raised during the discussion:**

1. The Board was informed that the structure of the Pension Administration team had been altered to ensure that there was a specific resource dedicated to the Surrey Fund. It was noted that there was a division of work-streams between new work coming in and work in progress.
2. The Board expressed concern that, despite previous assurances, a number of Key Performance Indicators (KPIs) had not shown the progress expected. The Chairman queried the timeframe for improvement, and was informed that this an area the team was seeking to address.
3. Officers highlighted that there were several operational changes being made to the administration team's processes, and that these were expected to improve data reconciliation and prioritisation of tasks. The Board asked what demand analysis was undertaken and informed that this was largely based on past experience. Officers commented that

there was work being taken to improve performance monitoring across the team.

4. The Board questioned what progress was made in regard to implementing an online portal for employers. It was informed that issues with data governance had meant delays, and that the Pension Administration team were intending to pilot a new self service portal with the larger district councils in the first instance.
5. The Board asked for clarification on the following:
  - why transfers in and out of the fund were not measured;
  - the reason for an 18% drop in member satisfaction and the number of respondents to the satisfaction survey;
  - the reason for a drop in performance for retirement options being provided to members following employer notification; and
  - whether specific individual employers were repeatedly not providing contributions within the 21 day statutory timeframe.
6. The Board was informed that the administration strategy would see a number of changes to the KPIs the Fund produced, and how they were presented. It was noted that it was expected that a new performance monitoring framework and scorecard would be developed for quarter 2, 2017/18. This would include more customer service data to help understand member experience. The Board was informed that it would have an opportunity to review the scoping process for the new administration strategy at its meeting in March 2017.

**Actions/ further information to be provided:**

The Board to receive a note clarifying the queries related to the administration KPIs.

That future KPI reports include the statutory timescales where relevant to each KPI.

**Resolved:**

That the Board note the report.

**9/17 PENSION FUND ANNUAL REPORT 2015/16 [Item 9]**

**Declarations of interest:**

None

**Witnesses:**

Sue Grimstead, Operations Manager, Pension Services  
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury  
Alex Moylan, Senior Accountant, Finance, Pension Fund and Treasury

**Key points raised during the discussion:**

1. The Board commented positively on the clarity of the report and subsequent audit opinion. It was noted that a summary had not been

produced as was normally the case, due to the increased workload pressures created by the triennial valuation.

2. The Board was informed that the funding strategy statement reflected the position prior to the completion of the Fund valuation. There would be a new funding strategy statement prepared to take account of the valuation.

**Actions/ further information to be provided:**

The draft funding strategy statement to be circulated to the Board.

**Resolved:**

That the Board note the report.

**10/17 PENSION FUND STATEMENT OF ACCOUNTS 2015/16 [Item 10]**

**Declarations of interest:**

None

**Witnesses:**

Sue Grimstead, Operations Manager, Pension Services  
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury  
Alex Moylan, Senior Accountant, Finance, Pension Fund and Treasury

**Key points raised during the discussion:**

1. The Board queried progress against the auditor recommendations. It was confirmed that the issue related to new starter letters had been resolved. The Board was also informed that the recommendation regarding cash balances had been implemented.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the Board note the report.

**11/17 REVIEW OF INTERNAL DISPUTE RESOLUTION CASES: QUARTER TWO 2016/17 [Item 11]**

**Declarations of interest:**

None

**Witnesses:**

Sue Grimstead, Operations Manager, Pension Services  
Neil Mason, Senior Advisor (Pension Fund), Pensions and Treasury  
Alex Moylan, Senior Accountant, Finance, Pension Fund and Treasury

**Key points raised during the discussion:**

1. The Board was informed that there were no internal dispute resolution cases to report during quarter two 2016/17.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the Board note the report.

**12/17 DATE OF THE NEXT MEETING [Item 12]**

The Board noted its next meeting would be held on 15 March 2017 at 10am.

Meeting ended at:  
11.43am

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**Chairman**